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UNCLAS SECTION 01 OF 05 PRETORIA 002271

SENSITIVE BUT UNCLASSIFIED
SIPDIS

FOR AMBASSADOR JENKINS FROM AMBASSADOR GIPS

E.O. 12958: N/A

TAGS: [PREL](#) [MNUC](#) [PARM](#) [KNNP](#) [TBIO](#) [SF](#)

SUBJECT: SCENESETTER FOR AMBASSADOR BONNIE JENKINS'
INTERAGENCY TEAM VISIT TO SOUTH AFRICA, NOVEMBER 8-11, 2009

REF: A. STATE 097420

[1](#)B. STATE 100237

PRETORIA 00002271 001.2 OF 005

(SBU) I warmly welcome your visit to South Africa. The Mission stands ready to do everything it can to make your trip a success. The control officer in Johannesburg/Pretoria will be Deputy Political Counselor Madeline Seidenstricker, who can be reached at 27-12-431-4173. Assisting in scheduling technical meetings will be Energy-Minerals Officer David Young and Transportation/ICT Officer Daleya Uddin. They can be reached at 27-12-431-4681 and 4344 respectively.

[1](#)2. (SBU) You are visiting South Africa at a time of possibility and promise, following Presidents Obama and Zuma's agreement on the margins of the G-8 Summit in July to increase dialogue on international security and arms control, Secretary Clinton's visit on August 6-9, and Special Advisor Einhorn's visit on August 24-31. The Secretary called for greater bilateral engagement on a wide range of issues, including nonproliferation. Special Advisor Einhorn's visit extended and deepened the pledge to work with South Africa as a partner in global security and energy issues and paved the way for the signing in Vienna of a nuclear R & D agreement in September. I look forward to your visit as the next chapter in a promising, enhanced dialogue, and am optimistic that your South African interlocutors will welcome your message on possibilities for U.S. programmatic partnerships with South Africa to address the global threats our two countries face.

[1](#)3. (SBU) The African National Congress-led (ANC) South African Government (SAG) has made great progress since the end of apartheid in 1994. The SAG has focused on political and economic transformation, i.e., reducing the gap between the historically privileged and disadvantaged communities. It remains committed to delivering government-provided housing, electricity, and water to the poor, and creating educational, skills development, employment, and business opportunities for the previously disadvantaged. South Africa continues to face daunting challenges, including a lack of public sector capacity, a thirty percent shortfall in mid-to-upper-level public sector managers, skills shortages in all sectors, infrastructure bottlenecks, enormous income inequality, inadequate educational opportunities, massive unemployment, entrenched rural and urban poverty, violent and widespread crime, xenophobia, and a severe HIV/AIDS pandemic. South Africa remains committed to establishing a successful democratic society with expanding prosperity despite its many challenges. Approximately 77 percent of registered voters

participated in the April 22 national elections.

The Political Landscape Under Zuma

¶4. (SBU) The ANC dominates the political scene in South Africa. In the April 2009 national and provincial election, the ANC won 66 percent of the vote and 264 National Assembly seats, earning the right to govern for the fourth consecutive time since 1994. A new opposition party that broke from the ANC, the Congress of the People (COPE), gained 30 seats in the National Assembly in the 2009 election and is now the Qthe National Assembly in the 2009 election and is now the third largest national party as well as the official opposition in three of the nine provinces. Meanwhile, the non-ANC opposition parties have steadily benefited from ANC turmoil. The Democratic Alliance (DA) is the largest of several small opposition parties in the National Assembly, winning 47 seats in 2004 and 67 seats in 2009. In 2009, the DA earned 51 percent of the vote in the Western Cape to win an outright governing majority in the province.

¶5. (SBU) President Zuma's Cabinet selections, particularly the re-appointment of former Health Minister Barbara Hogan as Minister of Public Enterprises and former Finance Minister Trevor Manuel as Minister of Planning in the Presidency, show that the ANC wants to improve policy implementation in certain areas without drastic overhauls. Despite such signals, many of the new Cabinet appointments -- and some of Zuma's strongest coalition supporters -- come from the left wing of South African politics. The Congress of South African Trade Unions (COSATU) and the South African Communist Party (SACP) are members of the ANC-led tripartite alliance. These groups are pressuring Zuma to embrace more populist or

PRETORIA 00002271 002.3 OF 005

leftist positions in the interests of the working-class poor, and they supported the appointment of many of their members to the Cabinet. In the face of growing dissatisfaction with government's ability to deliver services to the poor, ANC leaders will be more focused on domestic rather than continental or global issues.

¶6. (SBU) U.S.-South Africa bilateral relations are positive overall, but South Africa has taken positions in multilateral fora that run counter to U.S. interests. South Africa advocates for a greater voice for the "South" relative to the "North" in an expanded UN security Council and in the governance of financial institutions, along with increased development assistance and lower trade barriers. South Africa plays a lead role in conflict resolution in Burundi and contributes troops to UN Peace Keeping missions in the Democratic Republic of Congo (DRC), Burundi, and Sudan. South Africa has down-sized its forces in Burundi to a small 100-man security force and is due to withdraw all of its troops by the end of 2009.

¶7. (SBU) South Africa has approximately 3,000 personnel deployed in peace support operations in Africa (DRC and Sudan) and the U.S. has a strong interest in helping South Africa expand and enhance its peacekeeping and disaster assistance capabilities. South Africa participates in the U.S. African Contingency Operations Training and Assistance (ACOTA) program to enhance the South African National Defense Force's (SANDF) capacity to participate in multilateral peace support operations. Motivated, in part, by lingering suspicions of the U.S. dating to the cold war, South African defense officials have been openly critical of U.S. Africa Command in the past, but the Embassy has been making progress in engaging with the SAG on this issue and continues to engage in a wide range of military-to-military activities. In 2008, the U.S. completed the first visit by a U.S. Navy aircraft carrier to South Africa since 1967. This marked a turning point in military-to-military relations, though occasional hiccups still occur.

¶18. (SBU) South Africa is a middle-income, emerging market economy with purchasing power parity GNI per capita of \$3,206 (2008), akin to Chile, Malaysia, or Thailand. The SAG has pursued prudent monetary and fiscal policies, which turned a fiscal deficit of 6 percent of GDP in 1994-05 to a small surplus of 0.9 percent of GDP in 2007-08. However, the current recession has cut deeply into tax revenues, causing Finance Minister Gordhan to project a fiscal deficit of 7.7 percent of GDP in 2009/10. The South African Reserve Bank (SARB) is independent. It targets an inflation rate of 3-6 percent, but is currently struggling with inflation of about 6.4 percent. GDP contracted 6.4 percent and 3 percent in the first and second quarters of 2009, respectively, owing to slumps in commodity prices and manufactured exports. South Africa is now in official recession, and analysts forecast a fall in GDP of about 2.0 percent in 2009.

¶19. (SBU) South Africa's financial system has not been directly affected by recent turmoil in global financial markets. The local banking system is well-capitalized and strictly-regulated, and banks and other financial institutions have relatively little exposure to sub-prime debt or other contagion. Banks raise most of their capital domestically. However, South Africa depends on portfolio inflows to finance its large current account deficit (about 8 percent of GDP).

¶10. (SBU) South Africa's single greatest economic challenge is to accelerate growth in a slowing global economy in order to address widespread unemployment and reduce poverty. The official unemployment rate, currently 23.5 percent, is significantly higher among black South Africans than among whites. Income inequality between haves and have-nots remains one of the highest rates in the world. Fifty-six percent of black South Africans, but only four percent of whites, live in poverty. The lack of capacity and service delivery at the provincial and municipal levels fueled the recent xenophobic attacks on refugees from neighboring countries as South Africans from lower socioeconomic strata feared that jobs, houses, and other services were being given to non-South African immigrants. Other obstacles exacerbating South Africa's economic growth and service delivery problems

PRETORIA 00002271 003.2 OF 005

are skill shortages, a brain and skills drain, and education system weaknesses.

¶11. (U) South Africa's ability to prepare for and carry off the FIFA 2010 Soccer World Cup (to be held in South Africa between June 11 and July 11, 2010) is regarded by many as a bellwether of the country's commitment to continued progress in a variety of social and economic areas, including providing services, expanding and improving infrastructure, developing tourism, and pursuing the fight against crime. South Africa's successful hosting of the FIFA Confederations Cup in June 2009 strengthened confidence that the World Cup in 2010 will also be managed effectively.

THE RECENT GROWTH OF U.S.-S.A. TRADE AND INVESTMENT

¶12. (SBU) The U.S. is South Africa's third-largest trading partner, after Germany and China. U.S.-South Africa trade grew 12 percent in 2008, totaling \$16.1 billion. U.S. exports rose 18 percent to \$6.2 billion, while South African exports to the United States increased 9 percent to \$9.9 billion. South Africa was the third largest beneficiary of total exports (after Nigeria and Angola) and the largest beneficiary of non-oil exports under the African Growth Opportunity Act (AGOA) in 2008. The U.S. was South Africa's largest export market in 2007 and an impressive 98.1 percent of South Africa's exports entered the U.S. with zero import duties in 2007 as a result of normal trading relations (NTR),

GSP, AGOA and other benefits. Japan displaced the U.S. as South Africa's largest export market in 2008.

¶13. (SBU) Over 600 U.S. firms have a presence in South Africa, with 85 percent using the country as a regional center. South Africa's stable government, sound fiscal and monetary policies, transportation infrastructure, sophisticated financial sector, and, by African standards, large market are the primary attractions for U.S. businesses.

Nevertheless, South Africa has failed to attract a proportionate share of global foreign direct investment since 1994. Reasons include a volatile exchange rate, distance from developed country markets, high unit labor costs, strong unions, skills shortages, crime, HIV/AIDS, regulatory uncertainty, and the impact of Black Economic Empowerment policies. The U.S. was the largest portfolio investor and the second largest foreign direct investor in South Africa after the U.K. (\$6.6 billion at year-end 2007). General Motors, Ford, and Timken are among the top industrial investors in South Africa. Teletex recently opened a large call center in Cape Town and has plans to open smaller centers in other parts of the country. Westinghouse is competing for a \$60 billion dollar contract to build a fleet of AP1000 nuclear reactors in the Western and Eastern Cape provinces. Lockheed recently signed a contract with state-owned aviation manufacturer and services provider Denelcor to open a licensed service center to repair, maintain and overhaul Lockheed C-130s from Africa and the Middle East.

¶14. (SBU) The U.S. and the Southern African Customs Union (SACU: South Africa, Botswana, Lesotho, Namibia, and Swaziland) suspended free trade agreement negotiations after three years and six rounds of negotiations in April 2006. Negotiators agreed to pursue a Trade, Investment and Development Cooperative Agreement (TIDCA) in an effort to preserve some of the progress made in the FTA talks. A framework agreement for the TIDCA was signed at the AGOA Forum in Washington on July 14, 2008. South Africa has recently expressed interest in stepping up the pace on TIDCA, and negotiators may begin work soon on agreements to promote private sector contacts and reduce existing barriers to bilateral trade. There may be movement on TIDCA in the run-up to the AGOA Forum in August.

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ONGOING U.S. SUPPORT FOR SOUTH AFRICA

¶15. (U) The USG has contributed approximately \$1.9 billion toward South Africa's development, including \$250 million in credit guarantees, since 1994, and \$100 million in education,

PRETORIA 00002271 004.2 OF 005

\$120 million in economic growth, and \$88 million in democracy and governance since 1998. Our current development assistance program focuses on: supporting South Africa's response to HIV/AIDS and TB through the U.S. President's Emergency Plan for AIDS Relief (PEPFAR); addressing unemployment through financing and business development services for SMEs, job-skills training and education; reducing gender-based violence as part of the President's Women's Justice and Empowerment Initiative (WJEI); enhancing the quality of education through teacher training; and partnering with the SAG in third countries engaged in post-conflict rebuilding. South African NGOs have also received Trafficking in Persons (TIP) grants over the past few years to assist in the global fight against trafficking in persons. A wide range of U.S. private foundations and NGOs are also at work in South Africa. Among them are the Gates Foundation (HIV/AIDS), the Ford Foundation (higher education), the Rockefeller Foundation (adult education), and the Clinton Foundation (HIV/AIDS and Climate Change).

¶16. (U) Twenty-eight U.S. government entities are

represented at the U.S. Mission in South Africa (Embassy Pretoria and the three Consulates in Johannesburg, Cape Town and Durban). The Mission has 292 Direct Hire (USDH) positions and 608 local employees. More than 40 percent of Mission staff provide regional services to other U.S. embassies in Africa. The Mission has embarked on an ambitious program to build safe office facilities. The Mission completed the new consulate compound in Cape Town in 2005 and a new consulate building in Johannesburg in April 2009. Future projects include construction of a new annex for USAID and CDC. The construction of this much-needed, 155-desk office annex on the Embassy compound in Pretoria was deferred by the Office of Buildings Operations (OBO) from 2009 to 2022.

HIV/AIDS AND RELATED ILLNESSES CONSTITUTE A GROWING CRISIS

¶17. (U) The PEPFAR program in South Africa is the largest recipient of PEPFAR resources world-wide to date, having received a total of \$2.0 billion, including \$551 million in FY2009. South Africa has the largest number of HIV-infected citizens in the world. HIV/AIDS-related illnesses, particularly due to HIV/tuberculosis (TB) co-infection, are the country's leading cause of dQh. Despite South Africa's overall wealth, life expectancy at birth has decreased from 67 to 52, the regional average, due to HIV/AIDS and HIV/TB co-infection. Under-five mortality, with the Millennium Development Goal (MDG) of 24 per 1,000 in 2015, has increased from 60 to 67 per 1,000 between 1990 and 2006. Achieving the MDGs is the SAG's highest priority, but South Africa is moving further away from these goals in both child and maternal mortality as a result of HIV/AIDS.

¶18. (U) An estimated 5.4 million South Africans are HIV-positive including 2.7 million women and about 300,000 children 14 years old or younger. An estimated 18.8 percent of adults between 15 and 49 are HIV-infected and women in the Qof adults between 15 and 49 are HIV-infected and women in the age group of 25-29, the most seriously affected, have prevalence rates of up to 40 percent in some areas. An estimated 530,000 new infections occur annually. In 2006, 350,000 adults and children died from AIDS; an estimated 1.8 million deaths have occurred since the start of the epidemic; and 71 percent of all deaths in 15 to 41-year-olds are due to AIDS. In the last few years, there is an indication that prevalence may be starting to decline. Prevalence in antenatal care fell from 29 percent in 2005 to 28 percent in 2008. At least 1.6 million children, approximately 10 percent of South Africa's youth, have had at least one parent die and 66 percent of these have been orphaned by AIDS. Continuing AIDS-related mortality will create millions of new orphans and generate additional social and economic disruption, in part due to orphans being raised by extended families or in child-headed households.

¶19. (U) The epidemics of HIV and TB are interlinked. TB is the most common infectious disease in sub-Saharan Africa and approximately 50 percent of HIV patients in South Africa also have TB. A high overall prevalence rate of HIV, HIV/TB co-infection, and lack of continuity in treatment contribute

PRETORIA 00002271 005.2 OF 005

to the increasing incidence of active TB, including multi- and extensive-drug-resistant TB strains (MDR- and XDR-TB). The piloting of an SAG-approved rapid test for MDR-TB may allow more rapid identification and initiation of appropriate treatment, but staff shortages and skills challenges impede an effective response to TB. Failure to adequately control and treat TB may undo all the gains South Africa has made in HIV care and treatment thus far.

¶20. (U) The South African National Strategic Plan for HIV & AIDS and Sexually Transmitted Infections 2007-2011 (NSP) provides a road map for responding to this crisis and sets

out goals of reducing new HIV infections by 50 percent by 2011 and increasing access to anti-retroviral treatment (ART). The South African public health system has a need for: expanded clinical and laboratory facilities; strengthened health care infrastructure, particularly for chronic disease, which includes HIV and TB; increased coverage of HIV treatment; HIV prevention; and TB control and treatment. The country has made impressive progress towards expanding access to ART, but the current number of people on ART is less than 30 percent of those who need it. The number of new infections also greatly exceeds the number of new people placed on ART.

¶21. (U) PEPFAR is in its fifth year of implementation and has recently been re-authorized for a second five-year period. PEPFAR is implemented in South Africa by five USG agencies: the U.S. Agency for International Development (USAID); the U.S. Department of Health and Human Services (HHS), which includes the Centers for Disease Control and Prevention (CDC); the U.S. Department of State; the U.S. Department of Defense; and the Peace Corps.

GIPS